

ORIGINAL

Decision No. 51793

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the)
 Southern California Water Company for)
 authority to increase rates charged by) Application No. 36321
 it for water service in its South)
 Sacramento District.)

O'Melveny & Myers, attorneys, by Lauren M. Wright,
 and C. T. Mess, consulting engineer, for applicant.
Everett M. Glenn, city attorney, and Ray W. Jones,
 assistant superintendent, Division of Water and
 Sewers, for the City of Sacramento, interested party.
Luther H. Gulick, Carol T. Coffey, and R. R. Entwistle,
 for the Commission staff.

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application, filed November 19, 1954, seeks authority to increase rates for water service by a gross annual amount of about \$15,000 in its South Sacramento District, Sacramento County.¹

A public hearing in this matter was held before Examiner Stewart C. Warner on July 7, 1955, at Sacramento. Although notice was published in a newspaper of general circulation in the service area and notices of the hearing were sent to interested parties, there was no protest to the granting of the application.

General Information

As of December 31, 1954, as shown in Exhibit No. 1, a general report of applicant's company-wide operations, water service

¹ The application was verbally amended at the hearing by a request to substitute a lower schedule of rates than those contained in the original application. The proceeding and this decision are predicated throughout on such amendment.

was being furnished by applicant to some 88,350 consumers and electric service to 3,455 consumers throughout 21 separate operating districts. A map included in Exhibit No. 1 as Chart 1-C shows the location of said districts. Fixed capital in service, construction work in progress and the related depreciation reserves for applicant's various operations are shown as follows:

	<u>Fixed Capital</u>	<u>Construction Work in Progress</u>	<u>Total</u>	<u>Depreciation Reserve</u>
Water	\$21,055,768	\$164,738	\$21,220,506	\$3,354,290
Electric	887,746	1,327	889,073	249,199
Ice	74,390	-	74,390	53,816
Total	<u>22,017,904</u>	<u>166,065</u>	<u>22,183,969</u>	<u>3,657,305</u>

Applicant's gross operating revenues from its water department for the year 1954 amounted to \$3,477,645.

A summary of earnings for total utility operations, included as Table 8-A in Exhibit No. 1, shows that applicant's rate of return for the year 1954, recorded, was 5.69 per cent, and that for the year 1955, estimated, it would be 5.43 per cent at the present rates and 5.60 per cent at the proposed rates in South Sacramento and South Arcadia² for the full year.

South Sacramento District Service Area

Applicant's South Sacramento District comprises approximately 1.6 square miles of service area lying on the east and west of Stockton Boulevard, south of 14th Avenue to 47th Avenue. That portion of the area now being served on the east of Stockton Boulevard lies within the city limits of the City of Sacramento. That portion to the west lies within unincorporated territory in Sacramento County. Exhibit No. 2, and Chart 3-B of Exhibit No. 5 are

² By its Application No. 36525, filed December 3, 1954, applicant seeks authority to increase rates for water service in its South Arcadia district.

maps of the South Sacramento system. Red-colored areas on said exhibits delineate areas in which applicant sells water wholesale by contract to the City of Sacramento, but in which applicant owns no pipelines.

History of South Sacramento District

Applicant acquired its so-called Oak Park system in this area in 1929 from Oak Park Water Company.³ Said company was incorporated in 1903 and in February, 1929, had acquired an adjoining utility known as the Elmhurst Water Supply Company.⁴ In 1938 applicant sold that portion of its Oak Park District within the city limits to the City of Sacramento.⁵ In 1950 the name of the district was changed from Oak Park to South Sacramento, and applicant's present rates were established.⁶

Number of Consumers Served

As of December 31, 1954, water service was being furnished in South Sacramento District to a total of 3,523 consumers, all of whom, except 25 metered commercial consumers, were being served on a flat rate schedule. Applicant estimated that 448 flat rate consumers would be added during 1955. As of the end of 1954, 224 fire hydrants were connected to the system.

Sources of Water Supply

Applicant's sources of water supply comprise 10 wells with a total pumping capacity of 7,700 gallons per minute. All wells are equipped with electrically driven turbine pumps, with the exception of one which is driven by a gas engine. All pumps discharge directly into the water system, except the pump at the main plant which pumps directly into an elevated tank. Some chlorination and aeration of water is necessary, but the general quality of the water is good and the water system is well-designed. As of December 31, 1954, there

3 34 CRC 118
 4 32 CRC 632
 5 41 CRC 922
 6 49 PUC 590

were approximately 184,000 feet of distribution mains ranging in size from 1 to 12 inches in diameter. Most of the water system has been installed since 1947.

Service Complaint Petition

A petition filed prior to the hearing by some 28 consumers complained of low pressure along 19th Avenue. A vice president of applicant testified that an investigation of the service conditions in this area had disclosed the immediate need for the replacement and enlargement of certain mains. Applicant's president testified that he had authorized the immediate expenditure of a net amount of \$8,200 for such replacement and enlargement of mains. The record shows that applicant has given this work a high priority rating in its engineering department; that completion thereof was expected within 60 days of the date of the hearing; and that a minimum operating pressure of 30 pounds per square inch would be maintained throughout the entire South Sacramento system.

Bases of Application

Applicant based its application on allegations that earnings in its South Sacramento District had been and were lagging behind the earnings of its other systems and that, at present rates, earnings would continue to so lag. It based its application on the further allegation that system-wide earnings for the year 1955, at present rates, would not produce a fair rate of return.

Capital Budget for South Sacramento District

Applicant's capital budget for South Sacramento District for the year 1955 amounted to approximately \$134,000, not including the \$8,200 of net investment in the 19th Avenue area hereinbefore referred to.

Rates

Applicant's present flat and general metered service rates became effective May 16, 1950, pursuant to Decision No. 44047, dated April 18, 1950. The following tabulation is a comparison of the

present flat and general metered service rates with those proposed in the application as amended at the hearing:

Comparison of Present and Proposed Flat
and General Metered Service Rates

FLAT RATES

(Per Company Exhibit No. 5)
(Includes Principal Consumer Categories Only)

	<u>With 3/4-inch Service Connection</u>		<u>With 1-inch Service Connection</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
1. Single residence of 5 rooms or less, and 1 bath, and first unit of multiple housing or apartment for permanent occupancy, of like size or less, lot on which residence or housing unit is located not to exceed 9,000 sq.ft. in area, per month	\$1.90	\$2.20	\$2.20	\$2.35
A. Per each additional residence, apartment or housing unit of 5 rooms or less, and 1 bath, located on the same lot, and connected to the same service connection, in Item (1) above, per month	\$1.10	\$1.25	\$1.25	\$1.40
2. Stores, other than those hereinafter set forth, business blocks and office buildings with 5 offices or less and with not over 1 washroom, per month	\$1.90	\$2.20	\$2.20	\$2.35
3. Drugstore with fountain, butcher shop, market with an area not exceeding 5,000 sq. ft. and without an adjoining parking lot, and restaurant or cafe with a seating capacity of 12 persons or less, per month	\$3.00	\$3.50	\$3.50	\$4.00
4. Market, drive-in, or with parking lot adjoining, entire premises under one tenancy, and not exceeding 10,000 sq. ft. in area, per month	\$4.00	\$4.50	\$5.00	\$5.70
5. Barber shop or beauty shop, base rate, per month	\$1.90	\$2.20	\$2.20	\$2.35
6. Service station occupying lot not over 9,000 sq.ft. in area and with 3 gas pumps or less, per month	\$3.00	\$3.50	\$3.50	\$4.00

GENERAL METERED SERVICE

		<u>Per Meter</u>	<u>per Month</u>
		<u>Present</u>	<u>Proposed</u>
		<u>Rate</u>	<u>Rate</u>
Quantity Rates:			
First	1,000 cu.ft. or less	\$1.65	\$ -
Next	1,000 cu.ft., per 100 cu.ft.	.125	-
Next	8,000 cu.ft., per 100 cu.ft.	.10	-
Over	10,000 cu.ft., per 100 cu.ft.	.08	-
First	1,000 cu.ft. or less		2.10
Next	5,000 cu.ft., per 100 cu.ft.		.13
Next	44,000 cu.ft., per 100 cu.ft.		.09
Over	50,000 cu.ft., per 100 cu.ft.		.05

As shown above, the monthly charge for a single residence of 5 rooms or less, and 1 bath, and first unit of multiple housing or apartment for permanent occupancy of like size or less, on a lot not exceeding 9,000 square feet with a 3/4-inch service connection under the present rates is \$1.90, and under the proposed rates is \$2.20; with a 1-inch service connection under the present rates is \$2.20, and under the proposed rates is \$2.35. As shown in Table 12-J, Exhibit No. 5, applicant's proposed average flat rates compare favorably with those of other privately owned public utility water companies in the vicinity of Sacramento.

Applicant's president testified that applicant did not intend to effect a general metering program in its South Sacramento District.

No changes were proposed in applicant's presently filed rates for fire sprinkler systems; for construction and other temporary flat rate service; in contracts for service to public fire hydrants; or in the contracts with the City of Sacramento for furnishing water at wholesale to 7 subdivisions in the City of Sacramento.

Earnings

Reports of applicant's operations in its South Sacramento District were submitted by applicant as Exhibit No. 5 and by the Commission staff as Exhibit No. 7. The earnings information

contained in said exhibits for the year 1954 recorded, and for the year 1955 estimated, at present and proposed rates is summarized as follows:

Summary of Earnings

Item	Year 1954:		Year 1955 Estimated:		
	Recorded :		Present Rates :		Proposed Rates*
	Co. Exh. 5	Co. Exh. 5	PUC Exh. 7	Co. Exh. 5	PUC Exh. 7
Operating Revenues	\$101,608	\$113,440	\$112,200	\$128,140	\$126,639
Operating Expenses	43,343	46,465	44,760	46,480	44,760
Taxes	22,572	20,030	22,180	27,980	29,990
Depreciation	15,007	16,410	15,631	16,410	15,631
Subtotal	80,922	82,905	82,571	90,870	90,381
Net Revenue	20,686	30,535	29,629	37,270	36,258
Rate Base**	443,800	571,800#	568,000	571,800#	568,000
Rate of Return	4.66%	5.34%	5.22%	6.52%	6.38%

* Per application as amended at the hearing.

Does not include \$8,200 estimated additions fixed capital in 19th Avenue area.

*** Weighted average depreciated rate base.

No substantial or significant differences in any of the rate of return components determined by applicant and the staff are indicated in the record in this proceeding, despite complete investigation by the staff and thoroughly independent calculations. Applicant's rate base for the year 1955 estimated, included in Exhibit No. 5, did not reflect the net additional investment of \$8,200 for the improvements in the 19th Avenue area discussed hereinbefore. Its inclusion would depress nominally the estimated rate of return at both present and proposed rates. A Commission staff engineering witness testified that he had included approximately \$12,600 in his 1955 construction estimate for construction contingencies.

Conclusion

It is evident that applicant's earnings at present rates in its South Sacramento District are inadequate and that it is entitled to financial relief. It is further evident that the earnings which would be produced by the rates proposed in the application as amended

are not excessive. The order which follows will authorize the filing of the rates proposed in the amended application which will produce gross annual revenues of approximately \$126,640, net revenues of approximately \$36,260, after total operating expenses of \$90,380, and a rate of return of 6.38 per cent related to an average depreciated rate base of \$568,000, which we hereby adopt as reasonable. It is reasonable to expect, because of the downward trend indicated by the record in this proceeding, that applicant will realize a rate of return not significantly higher than 6 per cent in the first full calendar year in which new rates may be fully effective. Such a rate of return is found to be just and reasonable.

O R D E R

Application as above entitled having been filed, a public hearing having been held, the matter of applicant's amended request for an increase in rates in its South Sacramento District having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from those herein prescribed will be, for the future, unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

- 1.a. Applicant be, and it is, authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates applicable to the South Sacramento District shown in Appendix A attached hereto, and on not less than three days' notice to the Commission and to the public to make such rates effective for service rendered on and after September 1, 1955.
- b. Within thirty days after the effective date of this order, applicant shall file with this Commission four copies of a tariff service area map in conformity with the provisions of the

Commission's General Order No. 96. Such tariff service area map shall become effective on five days' notice to the Commission and the public after filing as hereinabove provided.

- c. Within forty days after the effective date of this order, applicant shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of various properties of applicant.
- 2. Applicant shall review annually the accruals to depreciation reserve which shall be determined for each primary plant account by dividing the original cost of plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the surviving plant of the account; and the results of the reviews shall be submitted annually to the Commission.
- 3. Applicant, within ten days after the effective date of this order and every thirty days thereafter until completed, shall file a report of its progress in effecting the replacement and enlargement of mains in the 19th Avenue area outlined in this proceeding.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 9th day of August, 1955

[Signature]

 President

[Signature]

[Signature]

[Signature]

[Signature]

 Commissioners

APPENDIX A
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Schedule No. 1

South Sacramento Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within portions of the City of Sacramento, south of 14th Avenue and generally east of Stockton Boulevard, and adjacent unincorporated territory, Sacramento County.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 2.10
Next 5,000 cu.ft., per 100 cu.ft. ....	.13
Next 44,000 cu.ft., per 100 cu.ft. ....	.09
Over 50,000 cu.ft., per 100 cu.ft. ....	.05

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.10
For 3/4-inch meter	2.40
For 1-inch meter	3.00
For 1 1/2-inch meter	5.00
For 2-inch meter	8.00
For 3-inch meter	15.00
For 4-inch meter	25.00
For 6-inch meter	40.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

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Schedule No. 2

South Sacramento Tariff Area

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Within portions of the City of Sacramento, south of 14th Avenue and generally east of Stockton Boulevard, and adjacent unincorporated territory, Sacramento County.

RATES

	<u>Per 3/4-inch Service Connection Per Month</u>	<u>Per 1-inch Service Connection Per Month</u>
1. For a single family residence or residential unit of five rooms or less, together with one bath, including lot on which residence or residential unit is located not exceeding 9,000 sq.ft. in area	\$2.20	\$2.35
a. For each additional residential unit of five rooms or less, together with one bath, located on the same lot and connected to the same service connection	1.25	1.40
b. For each additional room or bath, exclusive of pantries and closets ....	.15	.15
c. For each 100 sq.ft. of area of lot on which residence is located in excess of 9,000 sq.ft. ..	.02	.02

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Schedule No. 2

South Sacramento Tariff Area

FLAT RATE SERVICE

RATES—Contd.

	<u>Per 3/4-inch Service Connection Per Month</u>	<u>Per 1-inch Service Connection Per Month</u>
d. Additional for irrigat- ing garden area not sit- uated on lot on which residence is located but served from the same service connection, for each 100 sq.ft. irrigated, or fraction thereof	\$.05	\$.05
2. For each motel or auto court, together with central bath and utility room, including premises not exceeding 12,000 sq.ft. in area	3.50	4.50
a. Additional for each unit without bath or running water .....	.25	.25
b. Additional for each unit consisting of not over two rooms, including kitchen, together with bath or run- ning water .....	.60	.60
Additional for each room in excess of two .....	.20	.20
3. For each store, other than those hereinafter set forth, or office building, includ- ing five offices or less, and one washroom	2.20	2.35
a. For each additional office or washroom30	.30

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Schedule No. 2

South Sacramento Tariff AreaFLAT RATE SERVICERATES—Contd.

	<u>Per 3/4-inch Service Connection Per Month</u>	<u>Per 1-inch Service Connection Per Month</u>
4. For each drugstore with fountain, butcher shop, market with an area not exceeding 5,000 sq.-ft. and without an adjoining parking lot, or restaurant or cafe with a seating capacity of 12 persons or less	\$3.50	\$4.00
a. For additional seating capacity in restaurant or cafe, per person .....	.10	.10
5. For each market, drive-in or with parking lot adjoining, entire premises under one tenancy and not exceeding 10,000 sq.-ft. in area	4.50	5.70
6. For each barber or beauty shop	2.20	2.35
a. Additional for each chair in barber shop or wash basin in beauty shop .....	.40	.40
7. For each hotel	3.50	4.00
a. Additional for each room without bath or running water .....	.20	.20
b. Additional for each room having bath or running water .....	.25	.25
c. Additional for each dining room operated in connection with hotel	3.50	4.00

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Schedule No. 2

South Sacramento Tariff Area

FLAT RATE SERVICE

RATES—Contd.

	<u>Per 3/4-inch Service Connection Per Month</u>	<u>Per 1-inch Service Connection Per Month</u>
8. For each service station, with not exceeding three gasoline pumps and occu- pying premises not over 9,000 sq-ft. in area	\$3.50	\$4.00
a. Additional for each service station hav- ing from four to six pumps	1.00	1.10

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. Meters will be installed on all business services using running water in connection with refrigeration.
3. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

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Schedule No. 5

South Sacramento Tariff AreaPUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to public fire hydrant service to fire protection agencies listed in this schedule.

TERRITORY

Within portions of the City of Sacramento, south of 14th Avenue and generally east of Stockton Boulevard, and adjacent unincorporated territory, Sacramento County.

RATES

	<u>Per Hydrant Per Month</u>
City of Sacramento:	
Riser Type Hydrant, with one 2½-inch outlet	\$1.50
Standard Type Hydrant, 6-inch diameter or less	2.50
Florin Fire District:	
Riser Type Hydrant, with one 2½-inch outlet	1.50
Standard Type Hydrant, 6-inch diameter or less	2.15
Fruitridge Fire Protection District:	
Riser Type Hydrant, with one 2½-inch outlet	1.75
Standard Type Hydrant, 6-inch diameter	3.00

SPECIAL CONDITIONS

- Hydrants will be installed and maintained by the utility at its expense.
- The above rates include use for fire protection and for no other purpose.
- The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.